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**FOR IMMEDIATE RELEASE**

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**Secretary of State and Department of Financial Institutions Adopt Statement on Subprime Mortgage Lending**

Indiana Secretary of State Todd Rokita and Department of Financial Institutions Director Judith Ripley today announced the adoption of regulatory guidance covering underwriting standards, management practices, and consumer protection provisions that mortgage originators should follow when marketing and selling certain adjustable-rate mortgage (ARM) products to subprime borrowers.

The statement was developed by the Conference of State Bank Supervisors (CSBS), the American Association of Residential Mortgage Regulators (AARMR), and the National Association of Consumer Credit Administrators (NACCA) in response to the federal financial regulatory agencies' Statement on Subprime Mortgage Lending that was released on June 29. CSBS, AARMR, and NACCA developed the statement to apply to lenders not regulated by the federal financial regulatory agencies.

"The Subprime Statement will be an important tool for state mortgage regulators working to protect consumers in the subprime lending market," stated Rokita.

"We believe a coordinated effort among federal and state regulatory agencies is necessary to provide consistent and effective policy and overall supervision of the mortgage industry," added Ripley.

Rokita and Ripley anticipate that many of the issues addressed in the Subprime Statement will be considered by the Interim Study Committee on Mortgage Lending Practices and Home Loan Foreclosures that was established by House Enrolled Act 1717. The initial meeting of this special committee of the Indiana General Assembly is scheduled for August 16, 2007.

The CSBS/AARMR/NACCA guidance substantially mirrors the federal interagency statement agreed upon by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration, and supported by the FFIEC's State Liaison Committee.

However, the state mortgage regulators modified the statement to address issues particular to non-depository mortgage lenders and brokers who originate loans but do not hold them in portfolio. These lenders are generally licensed and regulated by the states.

In conjunction with the 2006 Interagency Guidance on Nontraditional Mortgage Product Risks, the statement offers sound underwriting and consumer protection principles that institutions and all residential mortgage providers should consider when making residential mortgage loans.

Beyond the Statement on Subprime Mortgage Lending, state regulators also plan to issue Examination Guidance for state supervisors to use in evaluating state-licensed mortgage lenders' compliance with the new requirements on lending to subprime borrowers.

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